

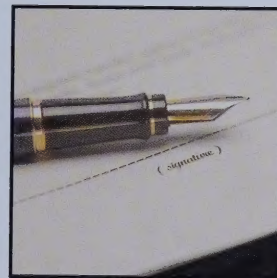
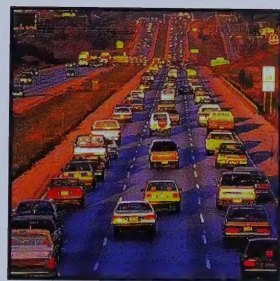
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# ANNUAL REPORT

## • 2004 •

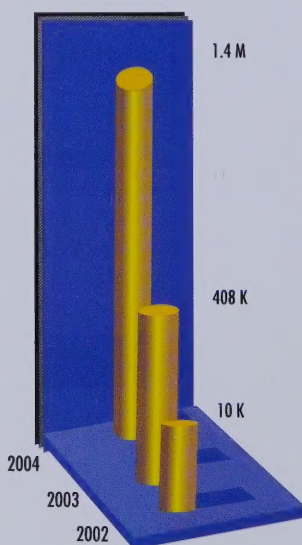


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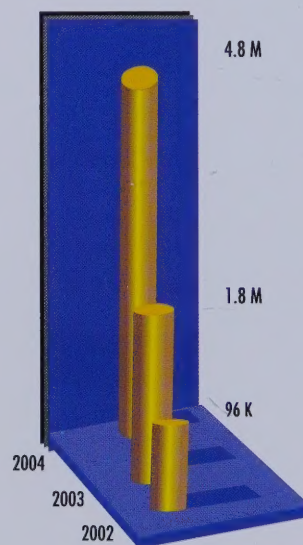
## Operating & Financial Highlights

- Increased lending capital by over \$3.4 million
- Geographic expansion of operations into Ontario & Manitoba
- Completed test phase of commercial vehicle repair financing
- Completed a non-brokered private placement of \$500,000
- Processed 3,200 loan applications, up from 1,400 the previous year
- Grew loan originations to \$4,760,257 up 159% over the previous year
- Increased total receivables to \$3,915,448 up 180% over the previous year
- Maintained losses at an annualized charge off rate of 4.9% (slightly below the 5.0% allowance for bad debts)
- Grew revenue to \$1,409,999 from \$408,460, an increase of 245%
- Increased stock price by 67%
- Increased point of sale network to 1,100, an 81% increase

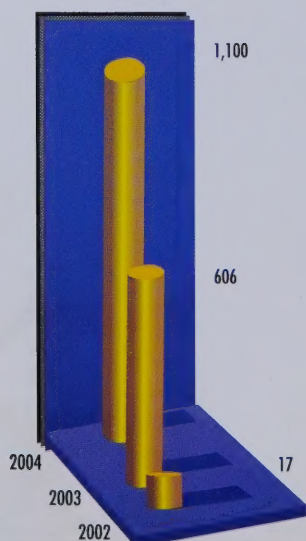
### Revenue (\$)



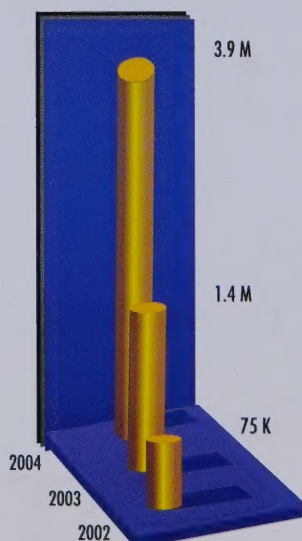
### Loan Originations (\$)



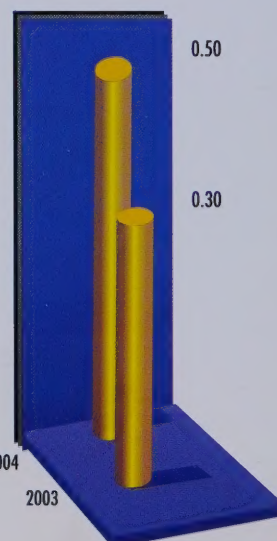
### Locations



### Net Receivables (\$)



### Stock Price (\$)





# Company Profile

RIFCO Inc. (TSXV: RFC) operates through its wholly owned subsidiary Repair Industry Finance Corporation. RIFCO is a specialty consumer finance corporation with a current focus on the Automotive Aftermarket Industry.

RIFCO provides Automotive and Commercial Repair Financing and Vehicle Purchase Financing ("Convenient Payment Plan") to mid-market/non-prime motorists through a growing network of licensed repair facilities and select used vehicle retailers. Revenue is derived from interest charged on loans as well as fees earned at loan origination.

RIFCO's Customers benefit by being able to convert major repair or purchase costs into affordable monthly payments, in a quick and convenient manner at the point-of-sale and time-of-need.

Repair facilities and vehicle retailers benefit by being able to offer customers a means of financing repairs and/or used vehicle purchases enabling those facilities to compete effectively to increase their sales and profits.

**RIFCO is committed to continuing growth. Key strategies for achieving this growth include the expansion of its network, ever-increasing leverage of this network, excellence in credit and collections processes, and exceptional service to its network members and its customers.**

# President's Message

RIFCO INC (TSXV: RFC) continues to operate through its wholly owned subsidiary Repair Industry Finance Corporation. All comparative results prior to March 31, 2003 are to the private company that was the target of the reverse takeover by Vista Investments Inc.

In the past year there has been no change in Senior Management or on the Board of Directors. On Feb 9th, 2004 the Board of Directors adopted the RIFCO INC. Corporate Governance Plan which, among other things, clearly defined the roles of, and the relationships between, the Board of Directors and Management. A copy of this plan is available on RIFCO's website.

On June 22, 2004, the Board of Directors announced that W.R. (Bill) Graham will be the next President and CEO effective at the close of the Company's Annual Shareholders Meeting on September 15th, 2004.

## From the Outgoing President

In 2004, we again made significant progress growing our loan origination network by expanding into Ontario and Manitoba and increasing to 1,100 locations - an 81% increase. We processed 3,200 loan applications, a 128% increase that resulted in \$4.76 million in new loans. Revenue grew to over \$1.4 million, an increase of 245%. Loan losses were maintained slightly under our allowance for bad debts of 5.0%. It seems that the public markets appreciated our efforts as RIFCO Inc. Shareholders enjoyed a 67% increase in share value during the year as well.

RIFCO chose to strengthen its balance sheet by adding an additional

\$500,000 in common share equity with a non-brokered private placement that closed on March 30, 2004. We also increased lending capital by approximately \$3 million. We continue to improve on our cost of funds and borrowing terms as we grow and perform.

As I reflected on the years of preparation and the recent years of operations for RIFCO, a phrase seemed to ring true; **Discovery, Challenge, and Change.**

I suppose **Discovery** began when I had the good fortune to discover the prospect of automotive repair financing. It is an understatement to say that the process of discovery continues. Discovery is one of those words that brings to mind other words; words like exploration, adventure, and journey. These concepts truly reflect what my view of RIFCO is really like. The Members of 'Team RIFCO' were not ordered and delivered out of a catalogue; they were sought and, with more good fortune, found. Each time RIFCO increases its reach through new territories, new channel partners, or new products, discoveries of something we did not know occurs. Some would say that discovery is what occurs at the end of a process, or a journey. I have always felt something different. As in finding a door to a room I have never been in, discovery remains the beginning.

What then for **Challenge**? Try as we might to predict and prepare for the tests that RIFCO will face, I suspect we will continue to be challenged in ways that we cannot foresee. This reality of past challenges, and I predict future challenges, is what RIFCO has risen to meet. The challenge of creating



something, where only a few years ago there was nothing, is only a part of what I mean. I also refer to the challenge of recruiting others to share our vision of RIFCO. We need people to share that vision as shareholders, vendors, customers, stockbrokers, repairers, employees, lenders, dealers, and more! If we continue to meet this crucial challenge, and the vision we have for RIFCO is caught by increasing numbers, we will continue to meet all of the challenges.

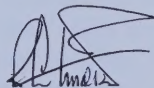
'In the office' and 'in the field', when someone offers the word Change, we cannot help but smile. When I include change as a key to RIFCO, I do not mean a large, sudden, or impending departure from our path. This Company has never stopped changing. The new information we glean from discoveries and challenges appears on an ongoing basis, and our adjustments must continue to be as frequent. Innovation is a key to our culture and though it is often not an easy idea to maintain, I believe its pursuit will form a pillar of our success.

One of these changes will be occurring at the end of this year's Annual Shareholders Meeting, when I will be passing the titles of President and CEO over to Bill Graham. I'm very pleased to be able to pass the leadership of RIFCO to my friend. He is a brilliant young man and will lead the company to the next level.

He brings great insight and energy to the role of President and CEO and I trust he will not only build a good company, but a great one that is built to last.

I again thank the Board of Directors, Senior Management, Valued Staff and most of all our Shareholders for their support. All have been integral in bringing reality to my vision for RIFCO. My passion remains RIFCO. I look forward to devoting my time and efforts to areas of the Company that I love... market research, product development, corporate image development and industry relations. I will remain the Chairman of the Board and will add the title of Founder.

Yours Truly



R. L. (Lee) Emerson  
President, CEO and Chairman of the Board

### From the Incoming President

I would like to express my sincere appreciation to the Board of Directors and to Mr. Emerson for the expressions of confidence that I have received since being named RIFCO's next President and CEO. I have greatly enjoyed my role as Chief Operating Officer, and look forward to meeting new challenges that are waiting for me as President.

In the 2003 Annual Report, the overriding theme was "Building". We believe that we have built a strong foundation, giving us a foothold to push forward. We continue to learn as we grow and remain committed to achieving success for our Stakeholders; our Shareholders, our Customers and our Employees.

RIFCO Management met the financial objectives set for the year but believes it can and must do better. We continue to operate in a building phase and have chosen to repeat this theme in this year's report as we update you on our progress in each area of our business.

## Building the Company

I felt strongly that my first task had to be in leading the re-examination process that resulted in the refocusing of the Company's Strategic Plan. We now have the luxury of two full years of operations and all of the knowledge that we have since gained.

From this knowledge and self examination, we are resetting the mark from which we will move forward. The Company has adopted the following Value Statements:

## RIFCO Values

- **Reality**– We face up to internal and external situations. Good news or bad news, we 'face up' to the authenticity of situations without denial.
- **Innovation** – Creative thinking is applied to all aspects of our business.
- **Collaboration** – Whether it is teams of employees or partnering with external organizations, we work toward 'win-win' solutions.
- **Integrity** – We offer truthfulness in promises, in reports, in marketing, in everything.
- **Accountability** – We are results driven. We set goals, develop a plan, execute, evaluate.
  - **Excellence** – The standard for performance at RIFCO has been set at the level of excellence.
  - **Reward** – We assess performance in order to best determine compensation.

I'm passionate about creating a culture within RIFCO that is understood by all Employees, Channel Partners and Shareholders. These Values represent what kind of company RIFCO is and will be, and through the culture of this company, we pursue our mission.

## RIFCO Mission Statement

"RIFCO Inc. provides superior shareholder returns, by delivering innovative non-prime financial services, through channel partners, who benefit by achieving increased sales and profits."

In realizing our mission, RIFCO will become the profitable market leader we know it can be. RIFCO will pursue the following 5 statements of Vision:

1. RIFCO is committed to being the fastest growing provider of "non-prime" financial services in Canada in five years, with gross revenue of \$15M, and a net (before tax) Profit Margin of at least 20%.
2. RIFCO delivers incomparable and compelling value to our channel partners by increased channel member's sales and profits, by being industry knowledgeable, channel friendly and unquestionably professional. Channel interactions with RIFCO will make us their trusted and preferred financial services source.
3. RIFCO is committed to dealing with key issues of liquidity, cost of funds, channel utilization and leverage, and channel support costs.
4. RIFCO is committed to creating a working environment where staff turnover is low, employee morale is high, and 80% of all employees are RIFCO stockholders.
5. RIFCO is committed to being the most efficient 'non-prime' financial services provider in Canada with the highest revenue per employee in 5 years.



## Building the Networks

RIFCO is now developing three distinct 'networks' or 'channels' for origination of non-prime loans. These networks consist of automotive repair locations, commercial repair locations, and used vehicle retailers (dealers).

During the last year, the total network has grown to include 1,100 locations, up from 606. Growth in the number of locations is expected to continue in the future. These locations are now located in Alberta, B.C., Manitoba and Ontario. Over the next year we intend to increase our penetration into these provinces. Expansion into new territories will occur only where a clear business case can be shown.

RIFCO maintains membership in automotive aftermarket industry trade organizations, and increasingly positions itself as a member of that industry.

We have encountered some competition on a progressive basis, but it remains sporadic and regional. New competitors in each network have emerged, while others have withdrawn. Truly the landscape is dynamic.

While total automotive repair loan volume continues to increase, per repairer originations continues to lag below expectations. Aggressive and concrete plans are underway that will make the "Convenient Payment Plan" a more compelling value for repairers. It is our intent to become the primary provider of non-prime financial services to the repair industry in Canada within the near future.

Loan originations by our enrolled Valued Dealers have again exceeded our expectations. We are seeking managed growth out of this network as we work

towards defining our niche in the marketplace. This market is highly competitive with experienced competitors that are considerably larger than RIFCO. We are proceeding with care, and are actively exploring well defined strategic alliances.

As of the end of the year, we were completing the testing phase of a commercial vehicle repair product for launch early in the new year. We will be devoting considerable time and resources to this product. We have identified a niche and feel confident our product will be well received. We expect loan volumes from this product may well represent up to 50% of our repair loan portfolio within 2 years.

While RIFCO also has a mandate for seeking additional origination and distribution channels for non-prime financial services, the clear focus for the upcoming year is growing our existing channels in usage, efficiency, and scope. We will seek to maximize channel leverage by creatively developing new offerings for our existing channels, and leveraging financial services products across multiple channels.

## Building Customer Relationships

RIFCO focuses on lending to mid-market and non-prime customers. Of all eligible borrowers in Canada, 40% are considered non prime. RIFCO's typical customer is of "average" credit worthiness and meets certain requirements of residence, employment stability, credit history, and income.

We have seen an increasing trend for our established customers to request additional or subsequent loans. We have not yet leveraged our growing client base for any additional products or services.

RIFCO reports all loans to the credit bureaus and many of our clients use RIFCO to re-establish a positive credit history.

Customer payments are expected to be remitted in a timely manner. When a customer account falls into arrears, internal collection and recovery efforts are employed to have the account brought up to date quickly. All legal means, including asset recovery, are employed to recover overdue accounts.

## **Building the Portfolio**

RIFCO continues to successfully build its largest tangible asset, the loan receivables portfolio.

At the end of 2004, RIFCO had 1,567 installment loan accounts totaling over \$4 Million in loan receivables. The portfolio is comprised of 55% automotive repair loans and 45% vehicle purchase loans.

Automotive repair loans are granted at a 27.8% annual interest rate. Vehicle purchase loans are granted at 27.8%, 23.8% or 19.8% interest rates based on defined credit criteria. The commercial vehicle repair program is offered at a 21.8% interest rate. The average annualized interest rate return on the total loan portfolio was 26.5%. Depending on the ratio of various loan products being granted, this average interest rate may change.

In 2004, RIFCO received 3,184 applications for credit, of which 1,486 were granted. This is a closing rate of 46.7%. Loans are granted with terms of 12-60 months and all scheduled monthly

payments are collected electronically. At year end a total of 6.3% of all loans were in arrears with 2.1% in the 30-60 day category and 1.2% over 60 days.

We remain committed to granting quality loans and being diligent in our collections efforts. Our portfolio has matured to the point where loans are regularly maturing. RIFCO maintains an allowance for bad debts of 5.0% (including all collection costs). The annualized actual loan loss rate was 4.9% of which .6% was collection costs. This rate is below industry norms. It is the company's goal to improve on this rate in the upcoming year.

It is RIFCO's intent to maintain integrity and transparency in the reporting of the quality of its portfolio. For this reason we maintain a stringent write off and accounting policy as follows:

### **Account Write-Off Policy**

- If a loan account reaches 90 days in arrears, it is written off and taken out of our reported portfolio. The account continues to receive collection and asset recovery efforts. Each payment received on written off accounts is accounted for as a recovery. If RIFCO is in physical possession of loan security awaiting sale, write off of the account will be delayed until the security is liquidated or the account reaches 120 days past due.
- Seized vehicles are not recorded as an asset on RIFCO's balance sheet while they are awaiting sale.
- RIFCO has no loan payment deferment or re-write program for delinquent accounts.

This policy is consistent with RIFCO's value of "Reality"; pending or actual losses are realized quickly and efficiently while future recoveries are sought.



## Building the Team

This year our staff grew from 8 to 14 full time employees and we are thankful for the passion and dedication they bring each day. RIFCO has maintained a 'flat' organizational structure with no middle management to date. At year end, employee roles were divided into four functional departments: Sales & Marketing, Credit Analysis & Credit Processing, Collections & Asset Recovery, and Finance & Administration.

The RIFCO sales and marketing team has a mandate to develop and implement highly innovative sales, training, recruitment, and incentive plans to maximize channel usage and develop strong channel loyalty.

The RIFCO Credit Analysis & Credit Processing Department's goal is to achieve rapid decision turnaround, superior application-to-loan closure rates, and superior credit performance, while minimizing application processing costs.

The Collection & Asset Recovery personnel strive to achieve superior credit performance as measured by delinquency rates and net write offs.

The Finance and Administration Department provides accounting, loan administration, human resources, financial controls, and investor relations.

As the company continues to grow at a rapid rate, the RIFCO team continues to be vital. Together we are building a great company.

## Building Operational Improvement

At RIFCO, continuous improvement is an expectation. With growth come changes to systems and products.

To this end, in 2004:

- Back office processes continued to improve with better clarity being provided to the point-of-sale network.
- A complete relocation to new and larger premises has allowed us to staff and service the growth; this was accomplished with no down time.
- A significant computer system upgrade and incremental upgrades to RIFCO's loan processing software was completed.
- The complete loan file system was converted from alpha to numerical, with bar code management capabilities.
- Electronic Funds Transfer (RIFCO RAPIDPAY) was adopted to fund all loans originated (overnight) direct to the channel partners.
- Greater loan volumes have enhanced our ability to be more cost effective in relationship to our revenue growth.
- Consistent treatment of written off loans through small claim actions is now starting to yield recoveries.

It is our responsibility to ensure our Employees and our Channel Partners have the resources to flourish. To this end, RIFCO continues to explore technology, systems, and partnerships which provide ever increasing efficiency.

## Building Profitability

With the change of RIFCO's mission statement we are re-committing to the goal of profitability.

In 2004, the Company's second full year of operations, RIFCO is reporting a loss. The loss is where Management projected it would be at the end of this year.

In the 2003 Annual Report, a specific objective to achieve profitability on a monthly basis was stated. This did not occur.

However, RIFCO did achieve "operational profitability" (without non cash items) on a monthly basis in three of the twelve months.

Non cash accruals and provisions made a significant difference.

The most significant of these non-cash items is RIFCO's provision for loss. RIFCO's provision for loss is set at 5.0% of the total loan portfolio. In the current year, RIFCO expensed over \$130,000 to this end.

The provision for loss is provided in order to cover potential loss of "Loan Principal". At year-end, we had an approximate loan principal balance of \$4.1 million before our provision for loss, with \$1.5 million in potential (hypothecated) unearned interest.

In future reports and quarterly reports we will be reporting our operating profit position.

RIFCO continues to be in a rapid growth stage. Considerable time, effort, and resources are being expended in building the company's operational foundation and its distribution network. We understand that every shareholder looks forward to our achievement of "breakeven" and subsequent earnings. We are confident this is close at hand.

The funds invested in building a strong foundation for the company have been well invested and our company is well positioned for strong financial performance in the future.

## Building Shareholder Value

In our first Annual Report we stated our Shareholder Values; they have not changed and we plan to restate them with every Annual Report.

We understand that Shareholders are the owners of the Company. They deserve to be treated as such. RIFCO's philosophy regarding Shareholder Value has 6 parts:

- **Transparency-** Shareholders have the right to clearly understand the financial position of the company, its progress to date, and the strategic plan for the future. To these ends, RIFCO will strive for plain language, common sense, and appropriate detail in shareholder communications. RIFCO believes there can be no governance without transparency.
- **Earnings Growth-** Shareholders expect long term, sustainable growth. To these ends, RIFCO will plan or operate on reasonable business planning timeframes and will not make decisions that sacrifice the long term health of the Company in order to meet short term expectations. RIFCO will demonstrate the validity of its business model as operations are scaled up.
- **Dilution-** Shareholders expect that additional shares of the Company be issued only as needed to appropriately finance the growth of the Company. To this end, RIFCO will not indiscriminately offer shares below reasonable price levels. It is intended that senior and subordinated debt will be obtained unless an equity offering is in the best interest of current shareholders.
- **Investment-** Shareholders expect their capital to be invested wisely and for RIFCO's management to work hard to create a sound and profitable business for their benefit. To this end, RIFCO will expand at a rate where credit quality is preserved, margins are maintained, and expenses are managed. RIFCO is committed to "lend it... don't spend it"
- **Humility-** Shareholders expect performance and consistency. To this end, RIFCO will implement its business model with knowledge that economic situations change, and business cycles are not static. In short, RIFCO operates knowing there will be "ups and downs".



- **Share Price-** Shareholders expect reasonable share price appreciation in the value of the Company's stock. To this end, RIFCO will continue to seek appropriate opportunities to share our Company's exciting story with the investment community. However, RIFCO is committed to the most important investor relations tool... profitability.

## Building the Future

In 2003, RIFCO reached five of the seven specific objectives which are detailed in Management's Discussion and Analysis. We feel well positioned to make significant headway towards meeting our new Strategic Plan and Mission Statement.

Our operational tactics for 2005 are as follows:

- Increase penetration in our existing geographical regions,
- Continue to leverage the networks with new products,
- Simplify forms and systems to reduce barriers and increase loan closure rates,
- Improve repair loan sales per site through simplicity, incentives, and refined sales and marketing messages and tactics.
- Grow the commercial vehicle repair program,
- Work to more clearly define RIFCO's niche in the vehicle purchase financing marketplace,
- Maintain credit quality while improving loan closure rates,
- Stay true to collection practices. Formulate systems and relationships to maximize loan recoveries on delinquent files.

Our specific objectives for 2005 are as follows:

- Secure an additional \$10 million of loan receivable funding (equity and/or debt),
- Increase the enrolled network to 1,800 locations,
- Double loan originations to over \$9 million,
- Double the total net loan receivables to over \$8 million,
- Decrease the average cost of borrowed funds,
- Report at least one profitable quarter,
- Maintain annualized write offs under 5.0%,
- See meaningful growth in the Company's stock price.

In summary, I remain passionately committed to the solid execution of our strategic and business plan.

I look forward to another year of exciting growth and milestones and thank you for your participation and your continued support.

RIFCO's Annual Shareholders Meeting occurs on Sept 15th, 2004. I look forward to meeting you to discuss this report and answer your questions.

The meeting will be held at 4:00 PM at the North Hill Inn, 7150-50th Avenue, Red Deer, Alberta.



W.R. (Bill) Graham  
Vice-President and Chief Operating Officer

# Management's Discussion and Analysis

The following management discussion and analysis contains information concerning the Company's vision, business strategies, capabilities, comparative annual financial results and an overview of Management's outlook for the Company and the industry as at August 3, 2004. The message to shareholders, operations review and financial statements, together with the accompanying note disclosures, also contain valuable information that supplements this discussion. Additional information is also available on the Company's website [[www.rifco.net](http://www.rifco.net)] and all previous public filings are available through SEDAR [[www.sedar.com](http://www.sedar.com)].

This report contains forward-looking statements and actual results may differ materially.

## RIFCO

RIFCO INC. operating through Repair Industry Finance Corporation is engaged in the specialty consumer finance business providing point of sale financing with a focus on the automotive aftermarket industry. The company provides Automotive Repair Financing, Commercial Repair Financing and Vehicle Purchase Financing to mid-market motorists through a growing network of licensed repair facilities and select used vehicle retailers. The company operates in Alberta, British Columbia, Manitoba and Ontario.

In 2004, RIFCO continued to grow overall business volumes and points of sales facilities in line with the company's expectations. Loan originations increased to \$4.76 Million from \$1.83 Million in the 2003. Company assets increased to \$4.54 Million from \$2.15 million in 2003. The point of sale network increased in size from 606 to 1,100 locations. Gross Revenues increased to \$1.4 Million from \$400,000 in 2003.

In the last year, the company was successful in increasing its gross profit by 315% while only increasing operational expenses 88% as RIFCO became increasingly more efficient.

The company's loan receivables are comprised (by dollars) of 55% repair loans & 45% vehicle purchase loans. The proportion of vehicle purchase loans increased from 36% in 2003 which reflects larger average loan amounts, \$7,300 for purchase loans and \$1,600 for repair loans and longer average repayment schedules, 38 months for purchase loans and 25 months for repair loans. Repair loans represent 83.5% of the company's portfolio by number.

The company's loans are geographically distributed 67% in Alberta, 19% in British Columbia, 11% in Ontario and 3% in Manitoba. This distribution is largely a result of the company's geographic rollout schedule. It is expected that as RIFCO's markets continue to mature, loan distribution will become more closely correlated with Canada's population distribution.

The company continues to have a strong liquidity position with over \$2.1 Million of unused capital at year-end. The company completed a \$500,000 non-brokered private placement which closed on March 30, 2004.



## Measuring the Year's Performance

In the company's 2003 annual report, seven 'specific objectives' were listed. The results follow:

1. *Secure an additional \$2.5M of loan receivable funding (equity and/or debt)*
  - **An additional \$3.45 million in loan receivable funding was secured.** RIFCO secured an increase in the company's bank line of \$2.25 million, increased mezzanine debt by \$700,000 and raised an additional \$500,000 in common share equity. **138% of target.**
2. *Double the size of the enrolled network to over 1,200 locations*
  - **RIFCO grew the network to 1,100 locations.** The shortfall was contributed to by a shortage of marketing staff in the B.C. territory. **92% of target.**
3. *Double annual loan originations to over \$4M*
  - **Annual loan originations grew to \$4.76 million. 119% of target.**
4. *Double total loan receivables to over \$4M*
  - **The loan receivables (before allowance for credit losses) grew to \$4.1M.** Net receivables are below target due to the allocation of loss provisions. **104% of target.**
5. *Decrease average cost of borrowed funds*
  - **The company's average cost of funds decreased to 10.0% on an annualized basis.** Average annualized cost of funds in 2003 was 12.7% (including dividends on since redeemed preferred shares) **Target met.**
6. *Achieve profitability on a monthly basis*
  - RIFCO did not achieve a profitable month. Three months recorded a gain before provision for credit losses. **Target not met.**
7. *See meaningful growth in the company's stock price*
  - **In the last year RIFCO's stock price increased by 67%.** Shares in RIFCO closed at \$0.50 on March 31, 2004. **Target met.**

## External Factors

### Interest rates

RIFCO's cost of borrowing is closely tied to overall Canadian interest rates. Record low Bank of Canada (and major bank) prime rate has contributed to the company's reduced borrowing costs. Because RIFCO's lending rates are not variable with interest rate fluctuations, the lower cost of funds has meant larger lending spreads and corresponding stronger profit margins.

However, the Bank of Canada's policy has resulted in an increasing supply of consumer credit. RIFCO's potential customers have enjoyed an increased number of credit choices including relatively low rate credit cards. These alternatives are competition to RIFCO's repair loan program.

## **Lowering of Credit Standards**

In an effort to increase market share, large credit granters have been reducing their credit quality requirements and/or offering mid market credit cards. This 'loosening' of credit standards may be acting as a competitive influence.

## **Strong Canadian Economy**

The Canadian (and especially Alberta's) economy and employment growth has been resilient against recessionary forces from the United States. This has contributed to better than average industry credit performance of RIFCO's loan receivables.

However the strength of the economy has also reduced RIFCO's potential loan originations by reducing the need for point of sale financing.

## **Increased Competition**

Increasing competition in both repair financing and purchase financing has had an effect on loan origination growth. We have seen new competitive companies emerge with sporadic and selective targets often associated with repair chains. Our largest competitor remains cash and credit cards.

## **Used Vehicle Values**

Used vehicle values continue to deteriorate partially due to auto manufacturer interest rate incentives. This deterioration is felt by RIFCO upon liquidation of vehicle security for defaulted loans. Lower resale values increase RIFCO's security risk and potential losses.

## **Outlook**

For 2005, RIFCO intends to focus on the following objectives in order to further the mission of becoming the primary provider of specialty finance plans for the automotive aftermarket:

- Increase point of sale penetration into RIFCO's geographic markets and consider new territories for expansion,
- Increase same location originations through product, process, education and incentive innovations,
- Explore opportunities for external partnerships in order to facilitate growth,
- Successfully launch the commercial vehicle repair program in all regions where RIFCO currently operates,
- Refine marketing and network support systems to reduce costs per application,
- Enhance RIFCO's market visibility in the automotive aftermarket industry,
  - Continue research and development of new products to enhance RIFCO's leverage of the company's origination networks,
  - Maintain credit and collection standards to maximize originations while minimizing credit losses, and
  - Continue to streamline credit processing and file management functions.



## Trends

Management has identified key trends in the company's business. Discussion of these trends is based on the company's previous performance and management's estimates of expected future results.

### Continuing Trends

The following are identified trends that management feels will continue over the next year.

- An increasing percentage of RIFCO's revenue will come from interest verses fees.
- Operating Expenses as a percentage of revenue will continue to decline.
- The average annualized interest cost of finance receivables will continue to improve.
- Wages as a percentage of Revenue will continue to decline.
- Loan Losses as a percentage of our total loan receivables may continue to increase as RIFCO takes advantage of marketplace opportunities.
- Quarterly losses as a percentage of revenue will continue to decline.
- Vehicle purchase loans will increase as a percentage of our overall portfolio.
- Overall average loan yield (lending %) will continue to reduce.
- Credit quality will continue to improve.
- The average size and average term of individual loans will remain stable.
- Intangible assets as a percentage of all assets will continue to decline.
- Debt vs. equity (leverage) will continue to increase.

### Changing Trends

The following are identified trends that management feels will reverse over the next year.

- Although gross profit margins have been improving we expect this trend to reverse as average lending rates decrease and promotional incentives are increased.
- Repair loan originations on average per site basis have been decreasing. We expect that this trend will be halted and begin to reverse this year.
- The growth in the number of automotive repair locations will slow in the upcoming year as focus is shifted to increasing per location originations.

## Selected Financial Information

| As at March 31                      | 2004      | 2003      | 2002      |
|-------------------------------------|-----------|-----------|-----------|
| Revenue                             | 1,409,999 | 408,460   | 10,984    |
| Net After Tax Earnings (Loss)       | (304,454) | (236,996) | (180,098) |
| Total Assets                        | 4,542,704 | 2,157,517 | 441,829   |
| Long Term Debt                      | 1,024,451 | 1,018,677 | 17,258    |
| Total Debt                          | 3,731,783 | 1,537,608 | 125,341   |
| Earnings (loss) per share - Basic   | (0.03)    | (0.03)    | (0.03)    |
| Earnings (loss) per share - Diluted | (0.03)    | (0.03)    | (0.03)    |
| Preferred share Dividends           | 0         | 0.08      | 0.019     |

RIFCO continues to be a growth company with revenue increasing by 245% last year. Company revenues will continue to rise as quarterly loan originations increase.

Net losses in 2004 and 2003 were similar in amounts but greatly improved in 2004 as a percentage of revenue improving to 21.6% from 58%.

The Selected Financial Information and the MD&A with the Results of Operations should be read in conjunction with the attached consolidated financial statements and related notes for the year-ended March 31, 2004. The results of operations and its cash flows for the periods then ended are in accordance with Canadian generally accepted accounting principles.

## Results of Operations

RIFCO reported a loss before income taxes of \$441,454 for the twelve-month period ended March 31, 2004, as compared to a loss of \$416,496 for the twelve-months ended March 31, 2003.

### Revenues

Revenues for the twelve-month period ended March 31, 2004 were \$1,409,999 compared to \$408,460 for the twelve-months ending March 31, 2003. This represents a 245% increase in revenue year over year. Revenues continue to increase with the growth in loan originations and finance receivables. The loan portfolio generates interest income along with loan origination fees and commissions. Collection activity also generates additional fee income.

### Gross Profit

Gross profit for the twelve-month period ending March 31, 2004 was \$854,363, compared to \$205,836 for the twelve-months ending March 31, 2003. Gross profit, as a percentage of sales, increased to 60.8% from 51.7% in the prior year an increase of 9.1%. The company considers its cost of goods to be hard costs associated with loan originations and interest on debt. As volume increases, gross profit could be negatively affected by lower lending rates, reduced point of sale fees, and expanded sales incentive programs.



### Interest

The interest expense for the twelve-month period ended March 31, 2004 was \$263,865, compared to \$80,947 for the twelve-months ending March 31, 2003. The interest expense increased due to higher debt levels to fund increased loan volumes. The average cost of borrowed funds was 10.0% on an annualized basis compared to 12.7% (including preferred share dividends) in the prior year. The interest cost as percentage of Revenue improved to 18.77% from 20.35% in the prior year. The average annualized interest cost of our finance receivables was 9.3% in 2004, an improvement from 16.4% in 2003. At year end the Company had a credit line of \$3.5 million that was utilized to \$1.4 million and bears an interest rate of Prime plus 1.7% (5.45% at March 31, 2004).

The average annualized interest earned was 26.5% as at March 31, 2004, providing the company with an average 16.5% interest rate spread over interest costs.

### Provision for Credit Losses

The provision for credit losses for the twelve-month period ending March 31, 2004 totaled \$272,739, compared to \$78,455 for the twelve-months ending March 31, 2003. Of the \$272,739 in provisional expenses, \$132,518 was used to increase the allowance for credit losses recorded on the balance sheet, and \$140,221 was used to offset net portfolio losses. This reflects an annualized loan loss rate of 4.9% of which 0.6% was collection costs. It should be noted that the Company received \$51,383 in Collection fee income.

### Operating Expense

The operating expenses for the twelve-month period ended March 31, 2004 totaled \$1,011,195 compared to \$538,764 for the twelve-months ending March 31, 2003.

Advertising and Promotion for the twelve-month period ending March 31, 2004 totaled \$97,521 of which 71.3% were expenses relating to providing the company's enrolled repairer network (1100 sites) with RIFCO point of sale materials required to promote and conduct business. This represents an increase of 31.5% from the prior year's \$74,126. Within the last year RIFCO increased its enrolled network by 494 sites which is an 81.5% increase.

Capital Assets purchased including those financed through capital leases in the twelve-month period ending March 31, 2004 totaled \$49,836, which compare to \$38,199 in the prior twelve-months ending March 31, 2003. Asset purchases were office furniture, computer hardware and software and leasehold improvements on new office premises.

General and Administrative expenses were \$357,309 for the twelve-months ending March 31, 2004, compared to \$183,636 for the twelve-months ending March 31, 2003. Growth in general & administrative expenses is a reflection of increased loan volumes and travel expenses for repairer enrolment. General Administrative expenses are comprised of Office & Telephone, Travel & Auto, Rental, Insurance, Amortization, and Professional Fees. Professional Fees represented \$86,543 or 24.2% of general & Administrative expenses which were made up of accounting, compliance, investor relations and legal fees. General and Administrative expenses have reduced to 25.4% of revenue from 46.2% in the prior year, a 20.8% improvement.

Wages and benefits expenses totaled \$556,365 for the twelve-month period ending March 31, 2004, compared to \$281,002 in the twelve-months ending March 31, 2003. In order to support the growth in its operations and finance receivables portfolio, the number of employees has increased from 8 at March 31, 2003 to 14 at March 31, 2004. Wages & Benefits expenses have reduced to 39.5% of revenue from 70.6% in the prior year.

### **Asset Review**

The Company's growth momentum continued during the twelve-month period ended March 31, 2004. Total assets increased by \$2,385,187 to \$4,542,704 at March 31, 2004, an increase of 110% over March 31, 2003. Non-producing intangible assets have increased by \$121,233 from \$270,507 at March 31, 2003 to \$391,740 at March 31, 2004. As a percentage of total assets, the non-producing assets have decreased 3.9% from 12.5% to 8.6%. The intangible assets are 89% future tax benefits.

The company concluded a non broker private placement of 1 million common shares at a price of \$0.50 which closed on March 30, 2004.

### **Enrolled Valued Repairer & Dealer Network**

While the benefit of an increased network is not shown as an asset on the balance sheet, it should be noted that outlets offering the Convenient Payment Plan grew from 606 to 1,100 during the year. The company's network is located 57% in Alberta, 27% in BC, 14% in Ontario and 2% in Manitoba. At year end 40% of the enrolled network had not yet submitted a credit application.

### **Finance Receivables**

Finance receivables are secured by motor vehicle assets and are registered at the applicable provincial property registry. As at March 31, 2004, the Company had 1,567 loans outstanding of which 6.3% were in arrears with 2.1% in the 30-60 day category and 1.2% in the over 60 day's delinquent category. The loans breakdown by category is as follows; 1,296 repair, 257 vehicle purchase and 14 commercial repair. Repair loans are offered at 27.8% and have an average outstanding balance of \$1,600 with an average remaining amortization of 25-months. Purchase loans have an average outstanding balance of \$7,300 and a remaining amortization of 38-months and bear interest rates of 27.8%, 23.8% and 19.8%. Currently 85% of purchase loans are at 27.8%. RIFCO has also commenced a commercial vehicle repair program that was in a testing phase at year end. The Company had a small number at year end that had an average outstanding balance of \$13,300 over a remaining amortization of 24 months and generate interest at 21.8%. The Company's loan receivables are comprised primarily of the consumer repair & purchase loans which may be paid off at any time without penalty. The Company receives average monthly principal payments at rates of 7.6% & 4.4% respectively.

RIFCO finance receivables grew during the twelve-month period by \$2,517,833 or 180% to \$3,915,448. Funds advanced on finance receivables amounted to \$4,760,257 for the twelve-month period, compared to \$1,836,111 in the prior twelve-months. This represents a 159% increase in loan originations year over year.



In the twelve months ending March 31, 2004, the company received 3,184 credit applications which resulted in 1,486 funded loans for a 46.7% closing rate. The total loans outstanding increased by 939 from 628 to 1,567, a 150% increase. The company's loans regularly mature, payout early or are consolidated with new loan requests. Loan numbers are also reduced by accounts written off as bad debt during the year.

## Summary of Quarterly Results

|                              | 2004        |             |             |             | 2003        |            |            |            |
|------------------------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|
|                              | Q4          | Q3          | Q2          | Q1          | Q4          | Q3         | Q2         | Q1         |
| Gross Revenue                | 433,433     | 404,551     | 333,262     | 234,869     | 199,727     | 106,982    | 59,100     | 31,997     |
| Net (Loss) Income Before Tax | (143,402)   | (114,831)   | (63,279)    | (119,942)   | (93,032)    | (100,890)  | (116,764)  | (105,811)  |
| EPS Basic                    | (0.011)     | (0.007)     | (0.004)     | (0.008)     | (0.006)     | (0.007)    | (0.009)    | (0.008)    |
| Diluted                      | (0.011)     | (0.007)     | (0.004)     | (0.008)     | (0.006)     | (0.006)    | (0.009)    | (0.008)    |
| Net Receivable Portfolio     | 3.9 Million | 3.3 Million | 2.6 Million | 1.9 Million | 1.4 Million | .7 Million | .4 Million | .2 Million |
| Gross Profit Margin          | 61.7%       | 61.7%       | 62.8%       | 58.0%       | 53.4%       | 50.1%      | 50.0%      | 50.0%      |
| Operating Expense Margin     | 72.6%       | 63.3%       | 67.8%       | 91.3%       | 79.5%       | 126.0%     | 226.0%     | 349.0%     |
| Points of Sales              | 1,100       | 1,000       | 856         | 761         | 606         | 498        | 301        | 113        |
| Loan Originations            | 1.4 Million | 1.3 Million | 1.1 Million | .9 Million  | .9 Million  | .5 Million | .2 Million | .2 Million |

All 2003 quarter results are those of Repair Industry Finance Corporation (the private corporation which was acquired by RIFCO Inc.).

In the last year RIFCO initiated a Volume Bonus Reward program for Valued Repairers who generated increased repair loan volumes. This program concluded on July 1, 2004 and RIFCO has been accruing an expense of 1.0% of repair loan volume that will be adequate to cover all payouts.

## Liquidity and Capital Resources

| As at March 31, (\$000's)            | 2004  | 2003  |
|--------------------------------------|-------|-------|
| Operating loan/ unsecured debentures | 2,533 | 427   |
| Long term debt                       | 1,024 | 1,019 |
| Total operating & term debt          | 3,557 | 1,446 |
| Callable Debt                        | 2,533 | 427   |
| Unused Credit lines                  | 2,080 | 1,250 |

RIFCO's primary sources of cash have been: cash flows from investing activities; borrowings under its credit facility; and the issuance of debt and equity. The company's primary uses of cash have been the funding of advances on finance receivables and the purchase of certain capital assets. Management believes that the resources available to the company provide the needed capital to fund the continued expansion of operations, loan purchases, and investments in operating infrastructure for fiscal 2005.

At March 31, 2004, RIFCO had a \$3.5 million credit line at a major Canadian Chartered bank at prime plus 1.7%. At year end \$2.1 million was unused. The Company was also successful in raising additional common share capital of \$500,000 in a non-brokered private placement and \$700,000 in mezzanine debt. The company has remained within all bank margin & mezzanine covenants throughout the year.

The senior bank line is due on demand and mezzanine debt is retractable with 90 days notice. Interest is paid on all debt monthly. The Company expects all debt instruments to continue to be available.

The Company expects further increases in debt funding as RIFCO continues to grow. Further equity offerings may also be required as well as opportunities to improve debt leverage.

| Contractual Obligations(\$)   | Payments Due by Period |                  |                  |               |               |
|-------------------------------|------------------------|------------------|------------------|---------------|---------------|
|                               | Total                  | Less than 1 year | 1-3 years        | 4-5 years     | After 5 years |
| Long term-debt (1)            | 1,000,000              | 0                | 1,000,000        | 0             | 0             |
| Capital Lease obligations (2) | 28,728                 | 12,652           | 16,076           | 0             | 0             |
| Purchase Obligations (3)      | 385,025                | 121,126          | 214,864          | 49,035        | 0             |
| <b>Total Obligations</b>      | <b>1,413,753</b>       | <b>133,778</b>   | <b>1,230,940</b> | <b>49,035</b> | <b>0</b>      |

1. This represents a convertible debenture that matures on May 31, 2006, and is convertible at the option of the holder to common shares at a conversion price of \$0.75 per share. The debenture may be converted or redeemed at maturity.

2. This represents office equipment leases.

3. Purchase obligations means an agreement to purchase goods or services that is enforceable and legally binding on the company. All of the company's obligations are in the areas of premises lease, investor relations service contract and regulatory compliance consultants.

| As at March 31                        | 2004          |             | 2003             |                |
|---------------------------------------|---------------|-------------|------------------|----------------|
| Issued                                | Common Shares | Amount (\$) | Common Shares    | Amount (\$)    |
| Balance, beginning of year            | 10,472,108    | 1,076,890   | 7,373,011        | 285,758        |
| Stock options exercised               | 0             | 0           | 0                |                |
| Stock issued                          | 1,000,000     | 500,000     | 300,002          | 225,000        |
| Stock Issuance Costs                  |               | -4,534      |                  |                |
| <b>Net Effect of Reverse Takeover</b> |               |             | <b>2,799,095</b> | <b>566,132</b> |
| Balance, end of year                  | 11,472,108    | 1,572,356   | 10,472,108       | 1,076,890      |



## Transactions with Related Parties

During the year, the Corporation granted secured vehicle purchase loans of \$13,449 for two of its directors at an interest rate of 12.0%. At March 31, 2004, \$13,173 was outstanding and included in finance receivables.

Included in the unsecured debenture balance is \$278,500 (2003 - \$250,000) of debentures owing to directors. Interest expenses during the year on these debentures was \$32,388 (2003 - \$2,214).

During the prior year, \$35,674 was paid to a company owned by a shareholder of the corporation for finance fund raising commissions. No payment was made in the current year.

These transactions are in the normal course of operation and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## Financial Instruments and Other Instruments

**Credit (Lending) Risk** – Finance receivables and secured loans are granted for automotive & commercial repairs and vehicle purchases to the mid market borrower. Risks are mitigated through thorough credit screening and the registration of security. RIFCO's borrowers are traditionally unable to meet bank requirements. A company business risk of larger than expected percentage of loans defaulting exists.

**Borrowing Risk** – The Company has three classes of debt, Senior Bank Debt, Convertible Debenture Debt and Unsecured Debenture Debt (listed in order of priority). The bank debt is repayable upon demand. The convertible debenture debt matures on May 31, 2006. At March 31, 2004, the unsecured debenture debt notes were held by 20 separate entities. Each note is available for redemption on 90 days notice, subject to the approval of the registered senior debt holder whose consent will not be unreasonably withheld. Liquidity could be affected if a large amount of unsecured debenture debt was redeemed & replacement funds could not be acquired or if the company's senior debt line was withdrawn.

**Interest rate risk** – The Company's bank borrowings are subject to variable interest rates. An increase in borrowing rates would narrow the spread between the company's lending and borrowing interest rates which would affect profit margins.

**Currency risk** – All of the company's dealings are in Canadian funds and RIFCO has no significant currency risk.



Collins Barrow

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## AUDITORS' REPORT

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### To the Shareholders of RIFCO INC.

We have audited the consolidated balance sheet of RIFCO INC. as at March 31, 2004 and March 31, 2003, the consolidated statements of loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and March 31, 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Collins Barrow Red Deer LLP*

Red Deer, Alberta  
May 25, 2004

CHARTERED ACCOUNTANTS



A member of  
Moore's Rowland International  
an association of independent  
accounting firms throughout  
the world



**RIFCO INC.**  
**Consolidated Balance Sheet**  
**March 31, 2004**

|                                    | 2004                | 2003             |
|------------------------------------|---------------------|------------------|
| <b>ASSETS</b>                      |                     |                  |
| Cash                               | \$ 66,398           | 374,835          |
| Accounts receivable                | 16,507              | 5,200            |
| Inventory of supplies              | 33,630              | 29,659           |
| Prepaid expenses and deposits      | 29,542              | 18,791           |
| Deferred financing costs           | 40,740              | 56,507           |
| Finance receivables - net (note 4) | 3,915,448           | 1,397,615        |
| Furniture and equipment (note 5)   | 89,439              | 60,910           |
| Future income taxes (note 11)      | 351,000             | 214,000          |
|                                    | <u>\$ 4,542,704</u> | <u>2,157,517</u> |

**LIABILITIES**

|                                         |                  |                  |
|-----------------------------------------|------------------|------------------|
| Bank indebtedness (note 6)              | \$ 1,420,764     | -                |
| Accounts payable and accruals           | 153,263          | 91,758           |
| Deferred lease inducement               | 21,406           | -                |
| Unsecured debentures (note 7)           | 1,111,899        | 427,173          |
| Convertible debenture (note 8)          | 1,000,000        | 999,000          |
| Obligation under capital lease (note 9) | 24,451           | 19,677           |
|                                         | <u>3,731,783</u> | <u>1,537,608</u> |

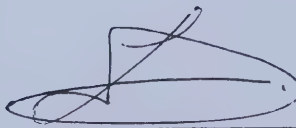
**SHAREHOLDERS' EQUITY**

|                         |                     |                  |
|-------------------------|---------------------|------------------|
| Share capital (note 10) | 1,572,356           | 1,076,890        |
| Deficit                 | <u>(761,435)</u>    | <u>(456,981)</u> |
|                         | <u>810,921</u>      | <u>619,909</u>   |
|                         | <u>\$ 4,542,704</u> | <u>2,157,517</u> |

Approved by the Board



Chairman  
R.L. (Lee) Emerson



Chief Financial Officer  
L.A. (Lance) Kadatz

**RIFCO INC.**  
**Consolidated Statement of Deficit**  
**March 31, 2004**

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|                                             | 2004                | 2003             |
|---------------------------------------------|---------------------|------------------|
| Deficit, beginning of year                  | \$ (456,981)        | (184,270)        |
| Net loss                                    | (304,454)           | (236,996)        |
| Dividends paid on preferred shares          | -                   | (17,200)         |
| Reverse takeover transaction costs (note 3) | <u>-</u>            | <u>(18,515)</u>  |
| Deficit, end of year                        | \$ <u>(761,435)</u> | <u>(456,981)</u> |



**RIFCO INC.****Consolidated Statement of Loss****March 31, 2004**

|                                                                                | 2004                | 2003             |
|--------------------------------------------------------------------------------|---------------------|------------------|
| <b>Financial revenue</b>                                                       |                     |                  |
| Loan interest                                                                  | \$ 729,377          | 148,314          |
| Loan fees                                                                      | 608,406             | 236,753          |
| NSF and collection fees                                                        | 51,383              | 12,739           |
| Enrolment fees                                                                 | 16,949              | -                |
|                                                                                | <u>1,406,115</u>    | <u>397,806</u>   |
| <b>Financial expenses</b>                                                      |                     |                  |
| Financing fees and insurance                                                   | 287,887             | 111,023          |
| Interest                                                                       | 263,865             | 80,947           |
|                                                                                | <u>551,752</u>      | <u>191,970</u>   |
| <b>Net financial income</b>                                                    | <u>854,363</u>      | <u>205,836</u>   |
| <b>Operating expenses</b>                                                      |                     |                  |
| Wages and benefits                                                             | 556,365             | 281,002          |
| Office and telephone                                                           | 103,424             | 47,484           |
| Promotion and advertising                                                      | 97,521              | 74,126           |
| Travel and auto                                                                | 94,058              | 44,901           |
| Professional fees                                                              | 86,543              | 53,888           |
| Rental                                                                         | 41,042              | 17,081           |
| Amortization                                                                   | 21,306              | 11,087           |
| Insurance                                                                      | 10,936              | 9,195            |
|                                                                                | <u>1,011,195</u>    | <u>538,764</u>   |
| <b>Loss before provision for credit losses<br/>and other income (expenses)</b> | (156,832)           | (332,928)        |
| <b>Provision for credit losses</b>                                             | <u>272,739</u>      | <u>78,455</u>    |
| <b>Loss before other income (expenses)</b>                                     | (429,571)           | (411,383)        |
| <b>Other income</b>                                                            | 3,884               | 10,654           |
| <b>Finance fund raising expenses</b>                                           | <u>(15,767)</u>     | <u>(15,767)</u>  |
| <b>Loss before income taxes</b>                                                | (441,454)           | (416,496)        |
| <b>Future income tax recovery (note 11)</b>                                    | <u>137,000</u>      | <u>179,500</u>   |
| <b>Net loss</b>                                                                | <u>\$ (304,454)</u> | <u>(236,996)</u> |
| <b>Net loss per common share - basic and diluted (note 12)</b>                 | <u>\$ (0.03)</u>    | <u>(0.03)</u>    |

**RIFCO INC.**  
**Consolidated Statement of Cash Flows**  
**March 31, 2004**

|                                               | 2004                           | 2003                         |
|-----------------------------------------------|--------------------------------|------------------------------|
| <b>Cash Provided By (Used For)</b>            |                                |                              |
| <b>Operating activities</b>                   |                                |                              |
| Net loss for the year                         | \$ (304,454)                   | (236,996)                    |
| Add (deduct) items not affecting cash:        |                                |                              |
| Amortization                                  | 21,306                         | 11,087                       |
| Provision for credit losses                   | 132,518                        | 69,607                       |
| Shares issued for services                    | -                              | 5,000                        |
| Loan interest accrual                         | (32,672)                       | (23,704)                     |
| Deferred financing costs                      | 15,767                         | 15,767                       |
| Deferred lease inducement                     | 21,406                         | -                            |
| Future income tax recovery                    | (137,000)                      | (179,500)                    |
| Changes in non-cash working capital (note 13) | 35,477                         | (62,320)                     |
|                                               | <u>(247,652)</u>               | <u>(401,059)</u>             |
| <b>Investing activities</b>                   |                                |                              |
| Funds advanced on finance receivables         | (4,760,257)                    | (1,836,111)                  |
| Principal collections on finance receivables  | 2,142,578                      | 467,678                      |
| Purchase of furniture and equipment           | (37,758)                       | (30,176)                     |
|                                               | <u>(2,655,437)</u>             | <u>(1,398,609)</u>           |
| <b>Financing activities</b>                   |                                |                              |
| Issuance of common shares                     | 500,000                        | 362,777                      |
| Share issuance costs                          | (4,534)                        | -                            |
| Issuance of preferred shares                  | -                              | 60,000                       |
| Increase in bank indebtedness                 | 1,420,764                      | -                            |
| Proceeds from unsecured debentures            | 728,263                        | 402,167                      |
| Repayments of unsecured debentures            | (43,537)                       | -                            |
| Proceeds from convertible debenture           | 1,000                          | 999,000                      |
| Repayments of obligation under capital lease  | (7,304)                        | (5,604)                      |
| Dividends paid on preferred shares            | -                              | (17,200)                     |
| Cash acquired on reverse takeover             | -                              | 332,617                      |
| Advances from (to) shareholders               | -                              | (24,964)                     |
|                                               | <u>2,594,652</u>               | <u>2,108,793</u>             |
| <b>Increase (decrease) in cash</b>            | <b>(308,437)</b>               | <b>309,125</b>               |
| <b>Cash, beginning of year</b>                | <u><b>374,835</b></u>          | <u><b>65,710</b></u>         |
| <b>Cash, end of year</b>                      | <u><u><b>\$ 66,398</b></u></u> | <u><u><b>374,835</b></u></u> |



**RIFCO INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2004**

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**1. Nature of Activities**

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RIFCO INC., formerly Vista Investments Inc., was incorporated on December 1, 2000 under the Alberta Business Corporation Act and listed as a Capital Pool Company on the Canadian Venture Exchange since May 2001. Effective March 31, 2003, the company completed its Qualifying Transaction by acquiring the shares of Repair Industry Finance Corporation ("Corporation"). The company ceased to be a capital pool company and is now a specialty consumer loan corporation with a focus on the automotive aftermarket. The company finances automotive and commercial repairs and vehicle purchases.

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**2. Significant Accounting Policies**

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**Consolidation**

The consolidated financial statements include the accounts of RIFCO INC. and its wholly owned subsidiary Repair Industry Finance Corporation. All significant intercompany transactions have been eliminated.

The acquisition of Repair Industry Finance Corporation on March 31, 2003, was accounted for as a reverse takeover (see note 4). Under reverse takeover accounting, Repair Industry Finance Corporation was identified as the acquirer and for accounting purposes, the consolidated entity is considered to be a continuation of Repair Industry Finance Corporation with RIFCO INC. consolidated from the date of completion of the transaction.

**Use of Estimates**

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion been properly prepared within reasonable limits of materiality and within the framework of the accounting policy.

The Corporation maintains an allowance for credit losses in an amount considered adequate to absorb credit losses existing in its finance receivables. The allowance is calculated at 5% of the finance receivables, based on management's estimate at this time, as there has been an insufficient history of losses.

**Deferred Financing Costs**

The costs of obtaining long-term financing are deferred and amortized to finance fund raising costs on a straight line basis over 60 months.

**RIFCO INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2004**

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**Significant Accounting Policies (continued)**

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**Finance Receivables**

Finance receivables are recorded at their principal amounts, including accrued interest, less allowance for credit losses.

**Furniture and Equipment**

Furniture and equipment are recorded at cost. Amortization is provided on the declining balance basis over the estimated useful life of the assets. The annual rates of amortization are as follows:

|                                |     |
|--------------------------------|-----|
| Furniture and Equipment        | 20% |
| Computer hardware and software | 30% |

Amortization is recorded at one half of the above rates in the year of acquisition.

Leasehold improvements are recorded at cost. Amortization is provided on the straight line basis over five years.

**Income Taxes**

Income taxes are calculated using the future income tax method. This method measures all future tax obligations associated with major asset and liability categories. The income tax assets or liabilities are measured using the income tax rate and laws that have been enacted as at the balance sheet date.

**Deferred Lease Inducement**

Lease inducements are deferred and amortized over the term of the lease.

**Revenue Recognition**

Loan interest income is recorded on an accrual basis. Loan fee income related to the origination of loans is recognized when the finance receivable is recorded. NSF and collection fees are recognized when the amounts are collected. Enrolment fees are recognized upon enrolment of new dealers and repairs.

**Stock Options**

The Corporation has chosen to recognize no compensation expense when stock options are granted to employees and directors under stock option plans with no cash settlement features. However, direct awards of stock to employees and stock and stock option awards granted to non-employees have been accounted for in accordance with the fair value method of accounting for stock based compensation. The fair value of direct awards of stock are determined by the quoted market price of the Corporation's stock and the fair value of stock options are

**Significant Accounting Policies (continued)**

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determined using the Black Scholes option pricing model. The Corporation will disclose the pro-forma net earnings and the pro-forma earnings per share resulting using the fair value method for employee stock options, under which compensation expense is recorded based on the estimated fair value of the options (see note 10)

**Financial Instruments**

The Corporation's financial instruments consist of cash, accounts receivable, finance receivables, bank indebtedness, accounts payable and accruals, unsecured debentures, convertible debenture and obligation under capital lease.

The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Corporation is subject to credit risk on the finance receivables in the event consumers are unable to meet the terms of the agreement. The risk is minimized by taking security against tangible assets and performing credit evaluations. The Corporation maintains a provision for loan losses however; the credit losses may be greater than those allowed for.

The Corporation is subject to interest rate price risk. The finance receivables, unsecured debentures, convertible debentures and obligation under capital lease bear interest at fixed rates and as such the value will fluctuate with a change in market rates.

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**3. Reverse Takeover**

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During the 2003 year Repair Industry Finance Corporation entered into a reverse takeover agreement with RIFCO INC. As at March 31, 2003, under the terms of the agreement, RIFCO INC. issued 7,959,608 common shares for all the issued and outstanding shares of Repair Industry Finance Corporation (7,673,013 common shares and 215,000 preferred shares). This resulted in the former shareholders of Repair Industry Finance Corporation obtaining 76% of the outstanding shares of RIFCO INC. The acquisition was accounted for as a reverse takeover that does not constitute a business combination. For purposes of accounting for this transaction, Repair Industry Finance Corporation is treated as the acquirer and RIFCO INC. the acquiree. The net assets of RIFCO INC. consisted of share capital of \$486,830 and a deficit of \$135,698 which has been credited to the share capital of the consolidated company. Transaction costs incurred by RIFCO INC. of \$18,515 have been included as a charge to retained earnings of the consolidated company.



**RIFCO INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2004**

**4. Finance Receivables - Net**

**2004**

**2003**

**Finance Receivables**

|                                  |               |               |
|----------------------------------|---------------|---------------|
| Principal of finance receivables | \$ 4,065,148  | 1,447,469     |
| Accrued interest                 | <u>56,376</u> | <u>23,704</u> |

|                                   |                  |                 |
|-----------------------------------|------------------|-----------------|
| Finance receivables               | 4,121,524        | 1,471,173       |
| Less: allowance for credit losses | <u>(206,076)</u> | <u>(73,558)</u> |

|                           |                     |                  |
|---------------------------|---------------------|------------------|
| Finance receivables – net | \$ <u>3,915,448</u> | <u>1,397,615</u> |
|---------------------------|---------------------|------------------|

**Allowance for Credit Losses**

|                              |                  |                |
|------------------------------|------------------|----------------|
| Allowance, beginning of year | \$ 73,558        | 3,952          |
| Provision for credit losses  | 272,739          | 78,455         |
| Write offs                   | <u>(140,221)</u> | <u>(8,849)</u> |

|                        |                   |               |
|------------------------|-------------------|---------------|
| Allowance, end of year | \$ <u>206,076</u> | <u>73,558</u> |
|------------------------|-------------------|---------------|

**5. Furniture and Equipment**

**2004**

|                         | <u>Cost</u>       | <u>Accumulated<br/>Amortization</u> | <u>Net Book<br/>Value</u> |
|-------------------------|-------------------|-------------------------------------|---------------------------|
| Furniture and equipment | \$ 66,245         | 15,422                              | 50,823                    |
| Computer hardware       | 37,350            | 13,031                              | 24,319                    |
| Computer software       | 14,576            | 5,297                               | 9,279                     |
| Leasehold improvements  | <u>6,273</u>      | <u>1,255</u>                        | <u>5,018</u>              |
|                         | \$ <u>124,444</u> | <u>35,005</u>                       | <u>89,439</u>             |

**2003**

|                         | <u>Cost</u>      | <u>Accumulated<br/>Amortization</u> | <u>Net Book<br/>Value</u> |
|-------------------------|------------------|-------------------------------------|---------------------------|
| Furniture and equipment | \$ 40,685        | 5,911                               | 34,774                    |
| Computer hardware       | 24,250           | 5,416                               | 18,834                    |
| Computer software       | <u>9,673</u>     | <u>2,371</u>                        | <u>7,302</u>              |
|                         | \$ <u>74,608</u> | <u>13,698</u>                       | <u>60,910</u>             |

Furniture and equipment includes \$35,693 (accumulated amortization - \$7,820) of equipment held under capital lease (March 31, 2003 cost \$23,615, accumulated amortization \$2,361).

**RIFCO INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2004**

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**6. Bank Indebtedness**

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The Corporation has a \$3,500,000 line of credit with an interest rate of prime (currently 4%) plus 1.7%. The Corporation has provided a General Security Agreement over all assets as security over this loan. The bank indebtedness at year end consists of \$1,400,000 from the line of credit and \$20,764 in bank overdraft.

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**7. Unsecured Debentures**

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The debentures are unsecured, with no maturity date and bear interest at 1% per month. The debt may be redeemed by the Corporation with 30 days notice. The debt may be retracted by the debt holder with 90 days notice.

The Corporation committed to a 36 month term on \$300,000 which expires on March 28, 2006. The debt may be retracted by the debt holder with 90 days notice. It is understood that debentures are postponed and subordinated in favour of the registered senior debt and debenture lenders. Redemption requests are subject to the approval of the registered senior debt holder whose consent will not be unreasonably withheld.

As the timing of the cash flows are not certain, the Corporation is not able to provide fair value information surrounding these financial instruments.

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**8. Convertible Debentures**

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The \$1,000,000 convertible debenture matures on May 31, 2006, subject to postponement of the registered senior debt holder, and is convertible, at the option of the holder, to common shares at a conversion price of \$0.75 per share. The Corporation has provided a general security agreement as collateral over this loan and bears interest at 1% per month.

The agreement with the lender provides for a maximum \$1,000,000 of convertible debenture at which time the debenture holder was issued 100,000 warrants to acquire common shares at \$0.65 per share which expires on June 1, 2005.

As the timing of the cash flows are not certain, the Corporation is not able to provide fair value information surrounding these financial instruments.

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| <b>9. Obligation Under Capital Lease</b> | <b>2004</b> | <b>2003</b> |
|------------------------------------------|-------------|-------------|
|------------------------------------------|-------------|-------------|

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Obligations related to leased office equipment, payable in monthly instalments of \$1,054 final instalments due on January 2006 and March 2007.

\$ 24,451

\$ 19,677

**RIFCO INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2004**

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**Obligation Under Capital Lease (Continued)**

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Minimum lease payments due in the next three years are as follows:

|                                           |                  |
|-------------------------------------------|------------------|
| 2005                                      | 12,652           |
| 2006                                      | 11,334           |
| 2007                                      | <u>4,742</u>     |
|                                           | 28,728           |
| Amount representing interest at 9% to 17% | <u>4,277</u>     |
|                                           | <u>\$ 24,451</u> |

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**10. Share Capital**

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**Authorized:**

Unlimited number of common shares  
 Unlimited number of preferred shares

**Issued  
 Common Shares**

| <u>Repair Industry Finance Corporation</u>                                      | <u>Number</u>     | <u>Amount</u>    |
|---------------------------------------------------------------------------------|-------------------|------------------|
| Balance at March 31, 2002                                                       | 7,373,011         | \$ 285,758       |
| Shares issued for cash in 2003                                                  | 293,336           | 220,000          |
| Shares issued for service in 2003                                               | <u>6,666</u>      | <u>5,000</u>     |
| Share capital of Repair Industry Finance Corporation<br>before reverse takeover | <u>7,673,013</u>  | <u>510,758</u>   |
| <u>RIFCO INC. - Effect of Reverse Takeover</u>                                  |                   |                  |
| Shares issued of RIFCO INC. before reverse takeover                             | 5,025,000         | 486,830          |
| Two for one consolidation                                                       | (2,512,500)       | -                |
| Shares issued on reverse takeover                                               |                   |                  |
| Common shares                                                                   | 7,673,013         | 510,758          |
| Preferred shares                                                                | 286,595           | 215,000          |
| Elimination of RIFCO INC. deficit                                               | <u>-</u>          | <u>(135,698)</u> |
| Balance at March 31, 2003                                                       | <u>10,472,108</u> | <u>1,076,890</u> |



**RIFCO INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2004**

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**Share Capital (continued)**

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|                                | <u>Number</u>     | <u>Amount</u>       |
|--------------------------------|-------------------|---------------------|
| Balance at March 31, 2003      | <u>10,472,108</u> | <u>\$ 1,076,890</u> |
| Shares issued for cash in 2004 | 1,000,000         | 500,000             |
| Share issuance costs in 2004   | <u>-</u>          | <u>(4,534)</u>      |
| Balance at March 31, 2004      | <u>11,472,108</u> | <u>\$ 1,572,356</u> |

Under reverse takeover accounting, the share capital is presented as if the consolidated financial statements are a continuation of the legal subsidiary, Repair Industry Finance Corporation. The capital structure, however, reflects that of the legal parent.

**Preferred Shares**

Repair Industry Finance Corporation had \$215,000 of preferred shares outstanding at March 31, 2002 which were redeemed March 31, 2003.

**Stock Options and Stock-Based Compensation Plan**

At March 31, 2002, Repair Industry Finance Corporation had 700,000 options outstanding with a weighted average exercise price of \$0.61. These options were cancelled upon completion of the reverse takeover March 31, 2003.

Prior to the reverse takeover, RIFCO INC. had 500,000 outstanding options issued to directors which were granted May 30, 2001 at \$0.15 with an expiry date of May 30, 2006 or on that date which is 90 days after the director ceases to be a director of the Corporation. Upon completion of the reverse takeover, these options were consolidated on a two-for-one basis (250,000 options, \$0.30). 87,500 of these options expired during the 2004 year as a result of persons ceasing to be directors of the Corporation.

During the 2004 year, the Corporation issued 700,000 options to directors at an exercise price of \$0.65.

The Corporation also granted 130,000 stock options with an exercise price at \$0.40 to a non-employee on February 1, 2004 with one quarter vesting every 3 month. None of these options had vested by year end.

**RIFCO INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2004**

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**Share Capital (continued)**

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The Corporation has an employee stock-based compensation plan in which options may be granted to all current full time and part time employees, not holding a President or Vice President position with continuous employment for previous 12 months. The number of options is determined by a combined exercise price equal to 10% of the employee's annual salary in the prior year. The option price is set at a 20% discount to the last quoted traded price as of the last day of each fiscal quarter. The stock option vests immediately and will expire 12 months after granting, or 30 days after the employee ceases employment for the company, whichever date comes first. Unexercised options expire worthless. During the 2004 year, the Corporation has issued 23,440 options under this plan with an exercise price of \$0.36. Subsequent to the year end, 17,717 employee stock options were granted with an exercise price of \$0.40.

A summary of the Corporation's stock options at the end of the year are as follows:

|                                       | <u>Shares</u>    | <u>Weighted Average<br/>Exercise Price</u> |
|---------------------------------------|------------------|--------------------------------------------|
| Outstanding at March 31, 2002         | 500,000          | \$ 0.15                                    |
| Rollback upon reverse takeover        | (250,000)        | 0.15                                       |
| Outstanding at March 31, 2003         | 250,000          | 0.30                                       |
| Granted during the year               | 853,440          | 0.60                                       |
| Expired during the year               | (87,500)         | 0.30                                       |
| Outstanding at March 31, 2004         | <u>1,015,940</u> | <u>\$ 0.56</u>                             |
| Options exercisable at March 31, 2004 | <u>885,940</u>   | <u>\$ 0.58</u>                             |

The weighted average grant date fair value price of the options is \$0.35 and the weighted average remaining life of the options at year end is 3.7 years.

The Corporation applies the intrinsic value based method of accounting for share based compensation awards granted to employees. Accordingly, no compensation expense is recorded in the accounts for its share option plans.

The pro-forma disclosures of compensation expense only include awards issued on or after June 1, 2002.

Had the Corporation determined the compensation expense based on their fair value at the date of grant for stock options under Section 3870, the income attributable to shareholders and basic earnings per share amounts would have decreased as indicated below. The Corporation uses the Black Scholes options pricing model to estimate the fair value at the date of grant of options.

The fair value of each option granted is estimated on the date of grant using the Black Scholes model with weighted average assumptions for grant as follows:

**RIFCO INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2004**

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**Share Capital (continued)**

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|                                          | <u>2004</u>         | <u>2003</u>      |
|------------------------------------------|---------------------|------------------|
| Risk free interest rate                  | 4.3%                | -                |
| Expected lives (years)                   | 4.76                | -                |
| Expected volatility                      | 151%                | -                |
| Dividend yield                           | -                   | -                |
| Loss attributable to common shareholders |                     |                  |
| - as reported                            | \$ (304,454)        | (236,996)        |
| Stock based compensation expense         | <u>230,914</u>      | <u>-</u>         |
| Loss attributable to common shareholders |                     |                  |
| - pro-forma                              | \$ <u>(535,368)</u> | <u>(236,996)</u> |
| Loss per share – as reported             | \$ (.03)            | (.03)            |
| Loss per share – pro-forma               | \$ (.05)            | (.03)            |

**Escrow Shares**

At March 31, 2004, there are 7,106,258 shares which are subject to a TSX Venture Exchange Tier 2 Surplus Security escrow agreement.

**Warrants**

During the 2004 year, the Corporation issued 100,000 warrants with an exercise price of \$0.65 per warrant with an expiry date of June 1, 2005.

---

| <b>11. Income Taxes</b> | <b>2004</b> | <b>2003</b> |
|-------------------------|-------------|-------------|
|-------------------------|-------------|-------------|

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The income tax benefit differs from the amount computed by applying the Canadian federal statutory tax rates to the loss before income taxes for the following reasons:

|                                        |                     |                  |
|----------------------------------------|---------------------|------------------|
| Tax benefit at Canadian statutory rate |                     |                  |
| of 33.62% (2003 – 34.62%)              | \$ (148,420)        | (144,191)        |
| Non taxable costs                      | 5,280               | 4,285            |
| Effect of future tax rate reductions   | <u>6,140</u>        | <u>(39,594)</u>  |
| Income tax benefit                     | \$ <u>(137,000)</u> | <u>(179,500)</u> |

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of future tax assets are as follows:



**RIFCO INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2004**

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**Income Taxes (Continued)**

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|                                                 |                   |                |
|-------------------------------------------------|-------------------|----------------|
| Difference in book and tax basis for equipment  | \$ (2,800)        | (1,524)        |
| Loan loss provision and repairer rebate reserve | 73,100            | 25,466         |
| Deferred lease inducement                       | 7,200             | -              |
| Loss carry forwards                             | <u>273,500</u>    | <u>190,058</u> |
|                                                 | \$ <u>351,000</u> | <u>214,000</u> |

The Corporation has recorded a benefit on its financial statements for non-capital tax losses available to be carried forward against future years' earnings otherwise subject to income taxes which expire as follows:

|      |                   |
|------|-------------------|
| 2009 | \$ 211,791        |
| 2010 | 337,560           |
| 2011 | <u>263,845</u>    |
|      | \$ <u>813,196</u> |

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**12. Net Loss Per Common Share**

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The net loss per common share has been calculated based on the weighted average number of common shares outstanding for the period ended March 31, 2004 of 10,477,582 (March 31, 2003 – 7,870,437). Under reverse takeover accounting, the weighted average number of commons shares is affected by the number of shares issued to complete the reverse takeover. Diluted earnings per share are calculated taking into consideration the potentially dilutive effect of the exercising of share options and conversion of the convertible debenture. Diluted earnings per share are equal to basic earnings per share as the effect of the share options, warrants and convertible debenture is not dilutive.

---

| <b>13. Changes in Non-Cash Working Capital</b> | <b>2004</b>      | <b>2003</b>     |
|------------------------------------------------|------------------|-----------------|
| Accounts receivable                            | \$ (11,307)      | (3,531)         |
| Inventory of supplies                          | (3,971)          | (29,659)        |
| Prepaid expenses and deposits                  | (10,751)         | (16,746)        |
| Deferred financing costs                       | -                | (46,029)        |
| Accounts payable and accruals                  | <u>61,506</u>    | <u>33,645</u>   |
|                                                | \$ <u>35,477</u> | <u>(62,320)</u> |

#### **14. Related Party Transactions**

---

During the year, the Corporation approved vehicle purchase loans of \$13,449 for two of its directors at an interest rate of 12%. \$13,173 is outstanding at March 31, 2004 and included in finance receivables.

Included in the unsecured debenture balance is \$278,500 (2003 - \$250,000) of debentures owing to directors. Interest expenses during the year on these debentures was \$32,388 (2003 - \$2,214).

During the prior year, \$35,674 was paid to a company owned by a shareholder of the corporation for finance fund raising commissions. No payment was made in the current year.

These transactions are in the normal course of operation and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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#### **15. Commitment**

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The Corporation has entered into a lease commitment for its business premises until November 30, 2008 with monthly payments of \$5,799 until November 30, 2005, \$5,965 from December 1, 2005 to November 30, 2007 and \$6,129 from December 1, 2007 to November 30, 2008.

The Corporation has contracts with four members of its management for 3 year terms, effective dates between April 2003 to March 2006. Under the terms of the contract, each member of management is paid \$60,000 in year one, \$72,000 in year two and \$84,000 in year three.

The Corporation has entered into a contract for investor relations with monthly commitments of \$5,000 per month until January 2005.

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#### **16. Segmented Information**

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The Corporation operated in Canada and has one operating segment. The accounting policies of the segment are the same as those described in the summary of significant accounting policies.

# Shareholder Information

## Directors

R. Lee Emerson  
Chairman of the Board, President & Chief Executive Officer,  
RIFCO Inc.

Lance A. Kadatz <sup>(1)</sup>  
Vice President, Chief Financial Officer, RIFCO Inc.

William R. Graham  
Vice President, Chief Operating Officer, RIFCO Inc.

James E. Zakowsky  
Vice President, Chief Marketing Officer, RIFCO Inc.

Bruce Phillips <sup>(1)</sup>  
Business Consultant

Bill Crawford <sup>(1)</sup>  
Owner, Thomas Holdings Ltd.

<sup>(1)</sup>Member of Audit committee

## Executive Management Team

R. Lee Emerson  
Chairman of the Board, President and Chief Executive Officer,  
RIFCO Inc.

Lance A. Kadatz  
Vice President, Chief Financial Officer, RIFCO Inc.

William R. Graham  
Vice President, Chief Operating Officer, RIFCO Inc.

James E. Zakowsky  
Vice President, Chief Marketing Officer, RIFCO Inc.

## Corporate Headquarters

Suite 500 Central Block  
5000 Gaetz Avenue  
Red Deer, Alberta  
Canada  
T4N 6C2  
Phone: (403) 314-1288  
Fax: (403) 314-1132

## Annual Meeting

The annual meeting of the company will be held on  
September 15, 2004, at 4:00 PM at the North Hill  
Inn, 7150 – 50th Ave., Red Deer, Alberta.  
All shareholders are cordially invited to attend.

## Investor Relations Information

For financial/investment data and general information  
about RIFCO Inc. contact:

The Howard Group Inc.  
Grant Howard and Peter Weichler  
President and Managing Director  
Telephone: 1-888-221-0915  
Fax: 1-888-237-8387  
Email: info@howardgroupinc.com  
Website: www.howardgroupinc.com

Lance A. Kadatz,  
Vice-President and Chief Financial Officer  
Toll Free 1-888-303-2001  
Toll Free Fax 1-888-303-2181  
Email kadatz@rifco.net  
Website: www.rifco.net

## Registrar and Transfer Agent

Computershare Trust Company of Canada  
600, 530 – 8th Avenue S.W.  
Calgary, Alberta  
Canada  
T2P 3S8

## Auditors

Collins Barrow  
Chartered Accountants & Consultants  
300, 5010 – 43 Street  
Red Deer, Alberta  
Canada  
T4N 6H2

## Legal Council

McLeod & Company  
3rd Floor,  
14505 Bannister Road S.E.  
Calgary, Alberta  
T2X 3J3

## Regulatory Compliance Consultants

Global Corporate Compliance Inc.  
602, 304 8th Ave S.W.  
Calgary, Alberta  
T2P 1C2





Grand Opening of RIFCO Inc. new offices in January 2004. From left to right: R.L. (Lee) Emerson, President & CEO, W.R. (Bill) Graham, VP & COO, J.E. (Jim) Zakowsky, VP & CMO, Honorable Gail Surkan, Mayor of Red Deer and L.A. (Lance) Kadatz, VP & CFO



RIFCO staff January, 2004

REPAIR INDUSTRY FINANCE CORPORATION

SUITE 500, 5000 GAETZ AVENUE

RED DEER, ALBERTA, CANADA, T4N 6C2

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